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## EXTRAORDINARY PART II—Section 2 PUBLISHED BY AUTHORITY

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### LOK SABHA

The following Bill was introduced in Lok Sabha on the 22nd May, 1957:—

BILL \*No. 23 OF 1957

*A Bill to amend the Central Sales Tax Act, 1956.*

BE it enacted by Parliament in the Eighth Year of the Republic of India as follows:—

1. This Act may be called the Central Sales Tax (Amendment) Act, 1957.

74 of 1956. 2. In section 8 of the Central Sales Tax Act, 1956 (hereinafter referred to as the principal Act), in sub-section (5), for the words “the Central Government” and “any Union territory”, the words “the State Government” and “the State” shall respectively be substituted. Amendment of section 8.

3. In section 14 of the principal Act, after item (ii), the following item shall be inserted, namely:— Amendment of section 14.

“(iia) cotton yarn, but not including cotton yarn waste;”.

4. For section 15 of the principal Act, the following section shall be substituted, namely:— Substitution of new section for section 15.

“15. Every sales tax law of a State shall, in so far as it imposes or authorises the imposition of a tax on the sale or purchase of declared goods, be subject to the following restrictions and conditions, namely:— Restrictions and conditions in regard to tax on sale or purchase of declared goods within a State.

\*The President has, in pursuance of clauses (1) and (3) of article 117 and clause (1) of article 274 of the Constitution of India, recommended to Lok Sabha, the introduction and consideration of the Bill.

(a) the tax payable under that law in respect of any sale or purchase of such goods inside the State shall be levied only at the last stage of sale or purchase and shall not exceed two per cent. of the sale or purchase price at that stage;

(b) notwithstanding anything contained in clause (a), no tax shall be levied at the last stage of sale or purchase if the declared goods purchased are intended for sale in the course of inter-State trade or commerce.

*Explanation.*—The expression “last stage of sale or purchase” means the stage at which a dealer registered under the sales tax law of the State—

(i) sells to or purchases from another such dealer declared goods for use by the purchaser in the manufacture of goods for sale or for use by the purchaser in the execution of any contract; or

(ii) purchases declared goods from another such dealer for sale to a dealer not registered under the sales tax law of the State or to a consumer in the State.”.

### STATEMENT OF OBJECTS AND REASONS

Chapter IV of the Central Sales Tax Act, 1956, declares certain commodities, which are in the nature of raw materials, to be goods of special importance in inter-State trade or commerce and lays down the restrictions and conditions as to the rate, system of levy and other incidents of tax subject to which the States may impose tax on the sale or purchase thereof.

2. Cotton yarn is essentially a raw material and is a staple support of a very important cotton industry, namely, the handloom industry. It satisfies the criteria laid down by the Taxation Enquiry Commission with regard to declaring goods to be of special importance in inter-State trade or commerce. Clause 3 of the Bill now proposes to include cotton yarn in the list of declared goods.

3. Section 15 of the Act as it now stands restricts the levy of tax under the State law to only one stage but leaves it to the State to select the point of levy. The Taxation Enquiry Commission had recommended that the stage of levy of tax should be the last stage of sale or purchase within a State. The amendment proposed in clause 4 seeks to give effect to that part of the recommendation and at the same time to provide that no tax shall be levied under the State law at the last stage if the goods are intended for sale in the course of inter-State trade or commerce.

4. Incidentally, section 8(5) is also sought to be amended so as to enable a State Government, if it so desires, to exempt any goods or class of goods from inter-State sales-tax.

T. T. KRISHNAMACHARI.

NEW DELHI;

*The 18th May, 1957.*

M. N. KAUL,  
*Secretary.*

